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# FARMERS HOME ADMINISTRATION

Strengthens Family Farms  
Strengthens Rural Communities  
Reduces Rural Poverty

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OPERATING  
LOANS

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PA-705

FARMERS HOME ADMINISTRATION  
UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C.

# **FARMERS HOME ADMINISTRATION**

The agency's programs strengthen family farms and rural communities and reduce rural poverty.

## **Operating Loans**

Operating loans are made to eligible operators of not larger than family farms, to assist them in making improved use of their land and labor resources and make adjustments necessary for successful farming. Funds may be advanced to pay for equipment, livestock, feed, seed, fertilizer, for other farm and home operating needs, to refinance chattel/debts, provide operating credit to fish farmers, carry out forestry purposes, and develop income-producing recreation enterprises.

Each loan is scheduled for repayment in accordance with the borrower's ability to repay, over a period not exceeding 7 years. The interest rate is 5 percent.

A borrower's total principal indebtedness for operating loans may not exceed \$35,000.

## **Farm Ownership Loans**

Farm ownership loans help family farmers obtain the resources needed to improve their living conditions and farm successfully. These loans are made to buy farms or land to enlarge farms; construct or repair buildings; improve land; develop water, forestry, and fish farming resources; establish recreation enterprises to supplement farm income, and refinance debts.

The interest rate is 5 percent; repayment period may not exceed 40 years.

A borrower's total indebtedness on the farm, including the loan being made, may not exceed \$60,000 or the normal value of the security, whichever is less.

## **Soil and Water Conservation Loans**

Loans are made to eligible individual farm operators and owners to develop, conserve and make better use of their soil and water resources.

A borrower's total indebtedness on the farm, including the loan being made may not exceed \$60,000 or the normal value of the security, whichever is less. The interest rate is 5 percent; repayment period may not exceed 40 years.

## **Water and Waste Disposal System Loans and Grants**

Loans and grants for the construction of rural community water and waste disposal systems are

made to public bodies and nonprofit organizations.

A borrower's total indebtedness for these loans, together with any assistance in the form of a grant, cannot exceed \$4,000,000. The maximum term is 40 years. The interest rate cannot exceed 5 percent. A grant cannot exceed 50 percent of the development cost.

The projects can serve residents of open country and rural towns of not more than 5,500 population.

Similar loans can be made for the development of rural recreation areas including facilities for swimming, golfing, boating, fishing, and camping.

### **Loans to Rural Groups for Soil and Water Conservation and Shifts in Land Use**

Loans are made to eligible groups of farmers and ranchers to develop irrigation systems, drain farm-land, and carry out soil conservation measures. Loans may also be made for shifts in land use to develop grazing areas and forest lands.

Each loan is scheduled for repayment in accordance with the borrower's ability to repay, over a period not exceeding 40 years. The interest rate cannot exceed 5 percent. An association's total indebtedness cannot exceed \$4,000,000.

### **Rural Housing Loans**

Rural housing loans are made to farmers and other rural residents in open country and small rural communities with populations of not more than 5,500. Loans are made to construct and repair needed homes and essential farm buildings, purchase homes or buy sites on which to build homes.

Families who do not have enough repayment ability may use cosigners to assure loan payments.

The maximum term is 33 years. The interest rate varies, but in most cases does not exceed 5 percent.

Loans are also made to provide rental and co-operatively owned housing. Funds may be used to build, buy, improve, or repair rental or cooperatively owned housing designed to meet the needs of senior citizens who are capable of caring for themselves, and of other low or moderate income rural families. Housing financed with a direct loan bears 3 percent interest with a maximum term of 50 years and must be for occupancy by senior citizens with low or moderate incomes or other rural families with low incomes. Housing financed with an insured loan bears 5 $\frac{3}{4}$  per cent interest with a maximum term of 40 years and must be for occupancy by senior citizens and other rural families with not more than moderate incomes. These loans may not exceed \$300,000.

Loans are also made to individual farmers, groups of farmers, and public or private nonprofit

organizations to finance housing facilities for domestic farm labor. The interest rate is 5 percent. The maximum term is 33 years.

Grants may be made to public bodies or broadly-based nonprofit organizations to help finance housing facilities for domestic farm labor. It is expected that such grants will not be more than half the cost of the project.

### **Emergency Loans**

Emergency loans are made to eligible farmers in designated areas where natural disasters such as floods and droughts have brought about a temporary need for credit not available from other sources. Loans may be made for the purchase of feed, seed, fertilizer, replacement of equipment, livestock, and for other items needed to maintain normal operations. Loans may not be made to refinance debts or compensate applicants for their losses. Loans may be made to eligible oyster planters.

Emergency loans may also be made outside of designated areas to farmers who have been affected by disaster when the disaster affects only one or a few farms.

Loans are scheduled for repayment when income from the crop or livestock financed is normally received. The interest rate is 3 percent.

### **Watershed Loans**

Watershed loans are made to local organizations to help finance projects that protect and develop land and water resources in small watersheds.

Loan funds may be used to pay the applicant's share of the cost of flood control dams and reservoirs, water supply reservoirs, rural water supply distribution systems, diversion dams, irrigation canals, drainage facilities, recreation facilities, easements, and similar purposes.

Watershed loans are made payable over periods up to 50 years. The interest rate for loans made in fiscal 1968 is 3.253 percent.

### **Rural Renewal Loans**

Rural renewal loans and technical assistance are available on a limited basis to public agencies and private nonprofit corporations located in designated rural renewal areas where family incomes are abnormally low.

Rural renewal loans may be made for periods up to 30 years, with repayment of principal and interest deferred up to 5 years, if necessary. Interest rate for loans made in fiscal 1968 is 3.253 percent.

Grants are also made for planning, surveys, feasibility and engineering studies.

A local public agency or private nonprofit corporation with rural renewal loan funds could: (1) purchase and consolidate small tracts of land and



resell as family-size farms or for nonfarm use; (2) purchase and subdivide large tracts of land and resell as family-size farms or for nonfarm use; (3) develop rural recreation areas including facilities for swimming, golfing, boating, fishing and camping; (4) purchase and develop land, improve timber, build access roads, carry out conservation measures.

### **Resource Conservation and Development Loans**

Loans are available to public agencies and private nonprofit corporations for natural resource conservation and development including outdoor recreation facilities in designated areas. Such loans may be made for periods up to 30 years with repayment of principal and interest deferred up to five years if necessary. The interest rate for loans made in fiscal 1968 is 3.253 percent.

### **Economic Opportunity Loans**

Economic opportunity loans are made to low-income families in rural areas to enable them to increase their incomes. Farmers may obtain loans to improve farming or develop and expand a small business or service. Other rural people may obtain loans to finance or expand small businesses and services. The loans are repayable over periods up to 15 years, bear 4½ percent interest. A borrower's total economic opportunity loan indebtedness may not exceed \$3,500.

Economic opportunity loans also are made to cooperatives serving low-income rural people and providing processing, purchasing or marketing services. The loans are repayable over 30 years, bear 4½ percent interest.

### **Comprehensive Water and Sewer Plans**

Grants are available to help communities which currently are without the resources to pay for the development of official comprehensive water and sewer plans in rural areas. Such plans promote efficient and orderly development of rural communities and provide information necessary to avoid overlapping, duplication, underdesign, or overdesign of community water and sewer facilities.

### **Technical Action Panels—Outreach Functions**

Farmers Home Administration serves as the chairman of state, area and county Technical Action Panels. These panels help local leaders identify problems that are blocking economic and social growth and locate federal and state services that can be used in solving these problems. Technical Action Panels also provide technical assistance to rural areas development committees and other locally organized groups to help local people

use government programs to create jobs, fight poverty, build new businesses and industry, develop needed community facilities, replace sub-standard housing and carry out other measures that up-date and strengthen the local economy.

### General Information

Each farm loan made by the Farmers Home Administration is based on a plan that when followed will provide enough income from the farm and other sources to enable the family to have a reasonable standard of living and make payments when due on their debts.

Technical assistance is provided borrowers in the planning and execution of all enterprises and projects financed by the agency.

Applications from veterans meeting other eligibility requirements receive preference.

Applications for loans are made at local county offices of the Farmers Home Administration, generally located at county-seat towns. A county or area committee of three farmers certifies eligibility of applicants and maximum amount of loan, and reviews borrowers' progress.

All loan applications are processed without regard to the race, color, creed or national origin of the applicant.

Loans made by the Farmers Home Administration are obtained from funds provided by private lenders on an insured basis and from collections on loans made in previous years.

Loans supplement and in no case compete with credit provided by other lenders.

Borrowers must agree to refinance loans with other lenders when they can do so.

Help is given applicants in determining their credit needs, working out debt repayment schedules, and solving other financial problems even though they may not be eligible for a loan.

Details on loans can be obtained from county FHA supervisors. If unable to locate local office, write Farmers Home Administration, Washington, D.C. 20250.

Slightly revised October 1967

This publication supersedes PA-547, Farmers Home Administration in Brief.

